

Message Text

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ORIGIN EB-11

INFO OCT-01 EUR-25 ISO-00 L-03 CAB-09 CIAE-00 COME-00

DODE-00 INR-10 NSAE-00 RSC-01 FAA-00 SS-15 OMB-01

TRSE-00 PA-03 USIA-15 PRS-01 SPC-03 /098 R

DRAFTED BY EB/AN:MHSTYLES:TH

APPROVED BY EB/AN:MHSTYLES

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FM SECSTATE WASHDC

TO AMEMBASSY OTTAWA

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E.O. 11652: N/A

TAGS: ETRN, CA

SUBJECT CIVAIR: US-CANADA CHARTER AIR SERVICE
NEGOTIATIONS

REF: STATE 192924

1. NEGOTIATIONS OCTOBER 3 AND 4 FAILED RESOLVE PRINCIPAL ISSUES AND UNCOVERED SOME NEW PROBLEMS. NO DATE FOR FURTHER MEETING SET, BUT CANDEL NOT AVAILABLE BEFORE LATTER PART OCTOBER. CANDEL, IN ATTEMPT FORCE ISSUE, SAID EARLY DECISION NEEDED WHETHER NEGOTIATIONS CONTINUE ON PRODUCTIVE COURSE, NEGOTIATIONS DEFERRED UNTIL LATER WITH ROUTE AND PRECLEARANCE AGREEMENTS SIGNED NOW OR NONE OF THREE AGREEMENTS SIGNED. BOTH SIDES SAID THEY PREPARED FACE LATTER OUTCOME, BUT CANDEL EXPRESSED PREFERENCE FOR FIRST ALTERNATIVE AND USDEL SAID IT STILL MARRIED TO SECOND. USDEL AGREED ADVISE CANADIANS ASAP RE ARRANGEMENTS FOR FURTHER MEETING OR IF THERE WERE CHANGE IN US PREFERENCE FOR CONTINUING TALKS.

2. MAIN NEW PROBLEM CONCERNS INCLUSIVE TOUR CHARTERS (ITC).
USDEL SAID IT HAD HOPED BY THIS TIME THAT US DOMESTIC
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SITUATION WOULD BE RESOLVED, BUT IT HAD NOT BEEN. ALSO,

SINCE CHARTER NEGOTIATIONS BEGAN IN EARNEST EARLIER IN YEAR, CANADIAN ITC RULE HAD BEEN CHANGED IN AUGUST FROM A 2-STOP TO 1-STOP REQUIREMENT, THUS RAISING QUESTION WHETHER US COULD ACCEPT CURRENT CANADIAN RULE IN

CHARTER AGREEMENT. FYI. PRACTICAL SIGNIFICANCE OF THIS IS THAT US COULD END UP WITH AGREEMENT ALLOWING CANADIAN SCHEDULED AIRLINES OPERATE 1-STOP ITC'S TO PLACES SUCH AS HAWAII AND FLORIDA, WHILE ABILITY US AIRLINES TO COMPETE BY ALSO OPERATING 1-STOP ITC'S WAS DEPENDENT ON THEIR ACQUIRING CAB AUTHORIZATION TO DO SO. LATTER QUESTION NOW TIED UP WITH CONTENTIOUS BILL BEFORE CONGRESS ON ITC'S. END FYI. CANDEL SAID THIS WAS INTERNAL US PROBLEM BUT OFFERED CONCLUDE AN AGREEMENT IN WHICH ITC ISSUE WOULD BE DEFERRED FOR A FIXED PERIOD, AFTER WHICH CANADA WOULD ACQUIRE ITC RIGHTS WHETHER OR NOT US HAD GRANTED COMPARABLE AUTHORITY TO ITS OWN AIRLINES. USDEL UNABLE ACCEPT THIS APPROACH.

3. IT ALSO BECAME APPARENT THAT CANADIANS PROPOSE RETAIN A GREAT DEAL OF CONTROL OVER US AIRLINE CHARTER FLIGHTS, SUCH AS BY CONTINUING REQUIRE PRIOR APPROVAL FOR PURPOSE POLICING UPLIFT RATIO, MARKET SHARES, RATES, ETC. USDEL COUNTERED THAT PROPOSED CANADIAN CONTROLS WERE SO PERVASIVE THAT US AIRLINES WOULD NOT HAVE FAIR OPPORTUNITY TO OBTAIN WHAT WE HAD BARGAINED FOR.

4. US POSITION BEING REVIEWED. EMBASSY WILL BE ADVISED. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AVIATION AGREEMENTS, FLIGHT CLEARANCES, MEETINGS, SUPPLEMENTAL AIRLINES
Control Number: n/a
Copy: SINGLE
Draft Date: 09 OCT 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE200190
Document Source: CORE
Document Unique ID: 00
Drafter: MHSTYLES:TH
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731043/aaaabfhq.tel
Line Count: 90
Locator: TEXT ON-LINE
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 192924
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 31 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31-Aug-2001 by rowellE0>; APPROVED <14-Nov-2001 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CIVAIR: US-CANADA CHARTER AIR SERVICE NEGOTIATIONS
TAGS: ETRN, CA, US
To: OTTAWA
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005